

April 11, 2002

Bloomberg Energy Services
100 Business Park Drive
Box 888
Princeton, NJ 08542

Attn: Mr. Michael Kovaks
Product Manager

Re: Fact-Finding Investigation of Potential Manipulation of Electric
and Natural Gas Prices (FERC Docket No. PA02-2-000)

Dear Mr. Kovaks:

Pursuant to an order issued February 13, 2002,¹ the Staff of the Federal Energy Regulatory Commission (FERC) is conducting a fact-finding investigation on whether any entity manipulated short-term prices for electric energy or natural gas in the Western United States, or otherwise exercised undue influence over wholesale electric prices in the West, since January 1, 2000, resulting in potentially unjust and unreasonable rates in long-term power sales contracts subsequently entered into by sellers in the West. This investigation is designated as FERC Docket No. PA02-2-000.

As part of this investigation, Staff must determine how forward electricity and natural gas price information that is available to the public was collected and reported during the time period covered by this investigation (*i.e.*, since January 1, 2000). In order to complete this research, we request your cooperation in answering the following questions:

1. What are your general sampling procedures and coverage for forward trades?
 - a. Are your samples based on reports from individual traders or from total trades for individual trading firms? How are the firms or traders selected?

¹Order Directing Staff Investigation, 98 FERC ¶ 61,165 (2002).

- b. How large are the samples on which you base your prices, in terms of number of trades by product or volume of trades? Is there a minimum sample size?
 - c. What percentage of the universe of trades is covered by your samples?
 - d. Are your reported prices volume-weighted?
- 2. What products do you include in your forward prices?
 - a. Are the terms quarterly or annual or otherwise? How do you decide when to use which term?
 - b. What are the product types (*e.g.*, 5 x 16 (or 6 x 16), 7 x 24, peak/off peak, etc.)? Which products are included in your standard reporting? Are any non-firm products included?
 - c. How standard are reported trades, that is, do they correspond closely to the reported categories? For example, are quarterly trades always for the full quarter?
 - d. How do you handle overlapping products (quarterly and annual for 2003, for example)?
- 3. How are reporting locations treated?
 - a. Are only trades at specific locations (*e.g.*, COB) reported, or are trades from nearby locations also included?
 - b. Are both sales and purchases at the reporting location included? If yes, what is the proportion of each?
- 4. What is the basis for reported prices?
 - a. What are the specific trades for individual time periods in the forward price curve (3Q2002, 4Q2002, Cal2003, etc.)?
 - b. Do you always have observations (specific trades) in each reported time period?

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- c. Do you have a minimum requirement for the number of sampling points (trades) in each "bucket"?
 - d. Do you use estimates from traders' forward price curves in place of specific reported trades?
- 5. How do traders report prices to you?
 - a. Fixed price deals? Estimates of average prices over reported terms? Other?
 - b. How, if at all, are indexed deals treated?
- 6. Are firms required to participate? Are they subject to periodic audit or compliance?
- 7. Do you verify or validate the data you collect with other sources? If so, how are the data verified or validated?
- 8. If any of your procedures are written down, please provide us with a copy.

Please provide your written responses to these questions no later than April 26, 2002. A copy of this information request will be placed on the Commission's web page for Docket No. PA02-2-000

(<http://www.ferc.gov/electric/bulkpower/pa02-2/pa02-2.htm>). As explained in the notice issued on February 26, 2002 in this proceeding, you may request confidential treatment of any of your responses to this information request in accordance with the Commission's regulations (*see* 18 C.F.R. § 388.112 (2001))

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If you need any assistance with respect to this information request, please contact David Hunger of the Commission Staff at 202/208-0148. Thank you.

Very truly yours,

Donald J. Gelinas
Associate Director
Office of Markets, Tariffs and Rates